

## **CLASSIFICATION OF EXPENDITURE ENTERPRISE FOR THE PURPOSE OF MANAGEMENT ACCOUNTING AND ANALYSIS**

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**Formulation of the problem.** In order to create an ordered structure costs enterprises carry out economically reasonable classification for certain characteristics. This includes distribution costs and generalization of groups that can provide information in a useful and convenient for management and analysis form. Classification of economic need for the enterprise, determine the cost of production and under - pricing, regulation, planning, control and cost analysis. The selected classification criteria should provide a comprehensive study of costs and grouping in the right context. Each sign describes the costs of a particular side.

So the more distinguished characteristics classification, the higher the degree of knowledge objects. The right choice of classification criteria is the key to obtaining relevant and reliable management information, ensuring the effectiveness of decisions taken by analyzing the costs.

**Analysis of key studies and publications.** The study looks at the classification of expenses that are covered in modern economic literature [9, p. 123; 10, p. 76; 11, p. 342; 6, p. 46; 7, p. 106; 8, p. 26; 14, p. 146; 15, p. 38; 18, p.102], suggests the lack of a unified approach to its implementation. In addition, the results of scientific research on the matter suggest a different number of lines of the object classification and accounting analysis.

Thus, V. Sopko [19, p. 233] defines 10 areas of economic, legal and planned an expenditure group companies:

- For the economic element (expenses);
- The method of cost elements included in the object of accounting and calculation object (direct, indirect);
- In relation to production costs (costs included in cost of production);
- The place of origin - cost centers (household, business, manufacturing, commercial and structural unit, station, crew and others);
- By type of products (goods, works, services);
- In relation to calculation (calendar) period (current or before and after the calculation period);
- The cost of the elements (sections expenses);
- In the sphere of (pre-production, production, non-production (non-productive));
- The degree of coverage plan (regulation) (scheduled, unscheduled);
- For homogeneity of (homogeneous, heterogeneous - difficult).

Butynets F.F [2, p.145], Golov S.F., Efimenko V.I. [3, p.245] and Mnich E.V. [13, p.122] directions allocate 3 classification:

1. Assessment of the definition of financial results (exhausted and inexhaustible; the costs of production and expenses in the period, direct and indirect, and overhead key).
2. Decision-making and planning (relevant and irrelevant, fixed and variable, marginal and average, real and potential, planned and unplanned).
3. Control of execution (controlled and uncontrolled).

According to V.F. Paly [16, p.12], the enterprise should classify expenses in the following areas:

- Phases of the cycle;
- Attitude to technology;
- Impact on production;
- Way to include the cost;
- Frequency of occurrence;

- Relation to production;
- Way of obtaining;
- The degree of generalization;
- Covering planning and regulation;
- Attitude to the sale;
- Expediency.

The most common in the economic literature is the classification of costs in three areas, shown in Figure 1.

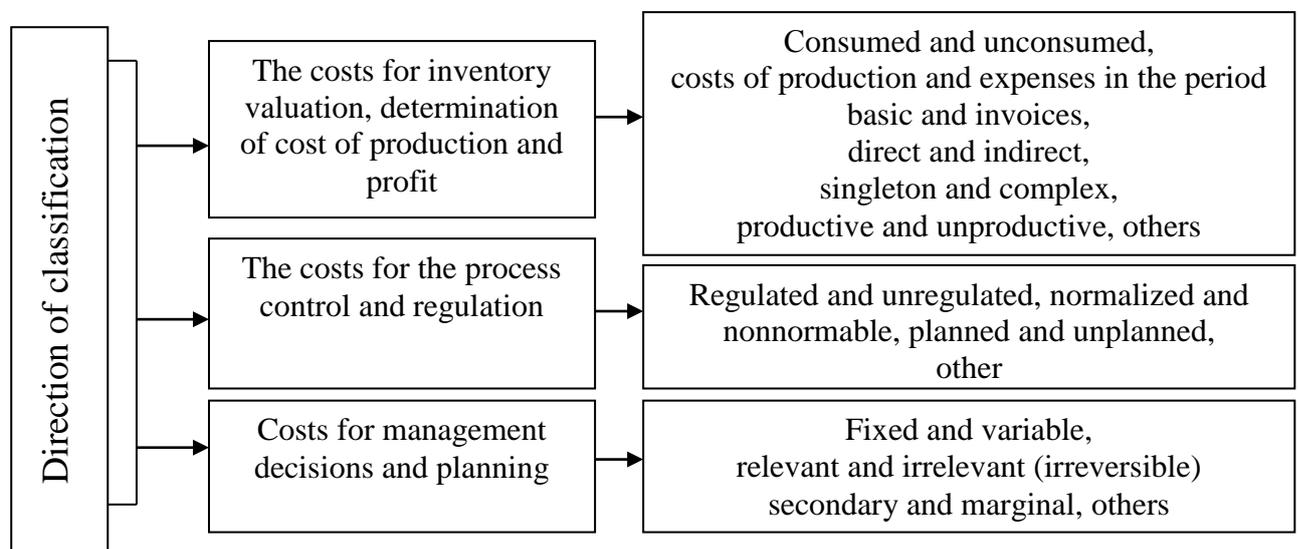


Figure 1. Classification of costs (summarized in [2, 3, 5, 6, 7, 14])

Pressing issue in the context of management accounting is to determine priority areas of classification of expenditure into account organizational and technological features of enterprises.

**Setting objectives.** Definition directions classification company's expenses depending on the purpose, objectives, internal control, and analysis that will clarify the functional role in the management of different types of costs.

**The main material research.** The dependence of the classification of expenditure management objectives recognize almost all scientists who study taken an issue. Thus, according to Drury K. [5, p. 245], in the accounting

system, primarily collects information on three categories of costs: costs of materials, labor and overhead. After that generalized costs are distributed in areas of accounting:

1. For the calculation and assessment of cost of production.
2. For the planning and decision making.
3. For the process control and regulation.

In addition, each of these three areas, in turn, is further detailed in cost depending on the purpose of management.

Golov S.F., as well as some foreign authors [1, p.266; 20, p.221; 21, p. 211] considers that the classification of expenses should be based on a principle that can be expressed as "different directions classification for implementation of various management functions" because the division of costs for different types used in the management of various areas of the company [4, p. 314].

Exploring behavior cost the company found that most of them are ambiguous nature and its division into separate groups is rather arbitrary. Some costs can be directly attributed to products, others - no. Some costs may be important for making the same type of decisions and not be relevant to another. Types of expenses that relate to the various authors of similar directions classification costs vary. There is also no clear grouping scientists expenses, certain expenses included in different directions.

In practice, for financial reporting purposes using the classification given in Standart 16 "costs" [17], and for management purposes (planning and calculation of the cost of production) - is presented in the Instruction on planning accounting and calculation of production costs, the effect of which is terminated after the introduction of the order of the Ministry of industrial policy of Ukraine "on approval of the recommendations and the formation of goods (works, services) industry" [12]. The main disadvantage of this classification is that it does not meet modern technology and organization of production. It provides that all costs are divided by type of production method include the cost

of the elements of cost and articles calculations. Some items are outdated ("Guild expenses", "Non-manufacturing costs"), but not reflected costs marketing and implementation. Increasing the share in the cost of semi-finished products, grouping expenses responsibility centers and addition cost of production volumes also reflected in this classification. In this connection it is necessary to group costs by criteria that would fully reflect and characterize various aspects of the enterprise.

Based on the analysis of existing approaches, we consider appropriate to group expenditure on the following criteria: organization and management, accounting and analytical, financial and economic (Table 1).

Organizational and administrative classification criterion includes areas that provide analyticity information that allows to evaluate the cost effectiveness of the production of a specific product and responsibilities for each center individually. Effective management activities can only be in cases where managers get comprehensive information about the relationship of costs for each element of the production of specific products to complete manufacturing process or before it starts - as projected. Therefore, information about production costs in managerial accounting must be sufficiently detailed and operational.

Depending on the direction of the charter, the company significantly differ in process, organizational structure, relationships with partners and contractors, as well as the interdependence between different structural units inside. Characteristic features of the company, first of all, are in production, which is driven by the technology of production. Therefore, the content, the amount, type and form of information needed to manage the production process, each company sets their own. This is particularly important proper organization and timeliness of cost accounting by product and units, proper organization of analytical accounting. Analytical accounting of production costs each company organized according to the nature of the production process and characteristics

Table 1 - generalized classification of costs and criteria directions (the authors)

| Directions                       | Classification criteria                          | Types of expenses  |
|----------------------------------|--|--|
| 1                                | 2  | 3  |
| I. Organizational and management | 1. The degree of influence of output on spending | - permanent<br>- variable (proportional, progressive, regressive)<br>- halfvariable<br>- halfpermanent<br>- variable   |
|                                  | 2. In place of control                           | - The place of formation (appearance)<br>- For the responsibility centers  |
|                                  | 3. With the responsibility centers               | - Production costs<br>- Costs workshop   |
|                                  | 4. In terms of controllability                   | - controlled<br>- uncontrolled<br>- partially controlled   |
|                                  | 5. The effect on decision-making                 | - Relevant (remedial, re expected)<br>- Irrelevant (incorrigible, unrepeated)<br>- differential  |
|                                  | 6. For adjustable                                | - adjustable<br>- unregulated  |
|                                  | 7. In relation to capacity                       | - required<br>- discretionary  |
|                                  | 8. By the method of calculation                  | - marginal<br>- average  |
|                                  | 9. As the functionality of activities            | - production<br>- Non-productive (firmwide)  |
|                                  | 10. For the calculation                          | - average<br>- limit   |
|                                  | 11. By appointment                               | - technological<br>- organizational  |
|                                  | 12. The nature of production                     | - Primary production<br>- Auxiliary production<br>- Service industries   |
|                                  | 13. For activities                               | - Production costs<br>- The cost of non-productive activities<br>- The cost of basic and auxiliary production<br>- The cost of logistical support<br>- The cost of developing new technologies |

Continued Table 1

| 1                           | 2   | 3   |
|-----------------------------|---|---|
|                             | 14. With the direction for management purposes  | costs of motivation, social development, innovation, marketing research and communications, depreciation and other costs of current production and business activities  |
|                             | 15. By type of enterprise   | <ul style="list-style-type: none"> <li>- operating</li> <li>- investment</li> <li>- financial</li> </ul>  |
|                             | 16. The timing generating income  | <ul style="list-style-type: none"> <li>- Aimed at the development of the company</li> <li>- Related to current production and business activities</li> </ul>  |
|                             | 17. In relation to sources of coverage  | <ul style="list-style-type: none"> <li>- Input costs (balance of finished goods at the beginning of the reporting period)</li> <li>- Operating costs (production cost of finished goods reporting period)</li> <li>- Input costs (cost of sales)</li> </ul> |
|                             | 18. With the phenomenon of scarcity (limited possibilities of alternative use of resources) | <ul style="list-style-type: none"> <li>- Explicit (External)</li> <li>- Implicit (hidden)</li> </ul>  |
|                             | 19. In relation to the volume of production   | <ul style="list-style-type: none"> <li>- variable</li> <li>- permanent</li> <li>- mixed</li> </ul>  |
| II. Accounting and Analysis | 20. By way of carrying value of the products  | <ul style="list-style-type: none"> <li>- direct</li> <li>- indirect</li> </ul>  |
|                             | 21. The composition   | <ul style="list-style-type: none"> <li>- Simple (singleton)</li> <li>- integrated</li> </ul>  |
|                             | 22. In relation to the types of productions   | <ul style="list-style-type: none"> <li>- basic</li> <li>- overhead</li> </ul>   |
|                             | 23. In relation to the reporting period   | <ul style="list-style-type: none"> <li>- The cost of the current period</li> <li>- Deferred expenses</li> </ul>   |
|                             | 24. In relation to the finished product   | <ul style="list-style-type: none"> <li>- Cost period</li> <li>- The cost of finished products</li> </ul>  |
|                             | 25. For economic content (cost elements)  | <ul style="list-style-type: none"> <li>- Material costs</li> <li>- salary expenses</li> <li>- Contributions to social programs</li> <li>- depreciation</li> <li>- Other expenses</li> </ul>   |

Continued Table 1

| 1                          | 2   | 3   |
|----------------------------|---|---|
|                            | 26. By purpose (on items costing)           | <ul style="list-style-type: none"> <li>- Direct production costs</li> <li>- The cost of maintenance and operation and maintenance of machines</li> <li>- Total expenditures</li> <li>- Administrative expenses</li> <li>- Selling expenses</li> </ul> |
|                            | 27. By type of goods (works, services)      | <ul style="list-style-type: none"> <li>- The cost of goods</li> <li>- Group of similar products</li> <li>- Gross output</li> <li>- Marketable products</li> <li>- Products sold</li> </ul>  |
|                            | 28. For the calculation                     | <ul style="list-style-type: none"> <li>- actual</li> <li>- Plan (budget, forecast)</li> <li>- regulations</li> </ul>  |
|                            | 29. For inclusion in the estimate (costing) | <ul style="list-style-type: none"> <li>- plan</li> <li>- unscheduled</li> </ul>   |
| III. Finance and Economics | 30. By type of costs                        | <ul style="list-style-type: none"> <li>- Economic elements</li> <li>- Article costing</li> </ul>  |
|                            | 31. In relation to the forms of labor       | <ul style="list-style-type: none"> <li>- The cost of living labor</li> <li>- Costs materialized labor</li> </ul>  |
|                            | 32. In relation to the form of value        | <ul style="list-style-type: none"> <li>- labor</li> <li>- material</li> <li>- cash</li> </ul>   |
|                            | 33. For resource consumption                | <ul style="list-style-type: none"> <li>- input</li> <li>- consumed</li> </ul>   |
|                            | 34. For expediency spending                 | <ul style="list-style-type: none"> <li>- productive</li> <li>- unproductive</li> </ul>  |
|                            | 35. In relation to current regulations      | <ul style="list-style-type: none"> <li>- normalized</li> <li>- nonnormable</li> </ul>   |
|                            | 36. For the purpose of analysis             | <ul style="list-style-type: none"> <li>- comprehensive</li> <li>- inexhaustible</li> </ul>  |
|                            | 37. Over the period of calculation          | <ul style="list-style-type: none"> <li>- capital</li> <li>- current</li> </ul>  |

of the products. These analytical accounting used in the preparation of internal reporting, which is based on the information on the types and quantity of products, the centers of responsibility and expenditure.

The financial and economic criterion for classification of the expenditures in terms of calculations, appropriateness and inclusion in the expenditure estimates.

**Conclusion.** The present approach to the classification of expenditure as a whole covers all areas of activity and most accurately summarizes the types of costs that are unique industrial complex enterprises. The classification of expenditure will improve the effectiveness of management; strengthen control over their consumption; identify potential for raising efficiency activities; improve the organization and method of cost accounting in an industrial plant. In conducting further research is planned to develop practical recommendations for grouping costs for industry specific to their activities and the production process.

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